

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Financial Statements for
the year ended March 31, 2017

This document has been translated from the original Japanese as a guide for non-Japanese readers. It may contain forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product and service launches, and pricing and product initiatives of competitors.

SEIKITOKYU KOGYO CO., LTD

Non Consolidated Balance Sheet
for the year ended March 31, 2017

<u>Assets</u>	Yen (millions)	U.S. dollars (thousands) (Note 3)	<u>Liabilities and Net assets</u>	Yen (millions)	U.S. dollars (thousands) (Note 3)
	2017	2017		2017	2017
Current assets:			Current liabilities:		
Cash and deposits	¥ 12,062	\$ 107,518	Short-term loans payable	¥ 1,958	\$ 17,454
Trade receivables:			Trade payables:		
Notes	1,424	12,690	Notes	8,503	75,791
Accounts	18,105	161,382	Accounts	11,446	102,022
Allowance for doubtful accounts	(3)	(26)	Total trade payables	19,949	177,813
Net trade receivables	19,526	174,046			
Deferred tax assets-current (Note 9)	991	8,833	Advances received on uncompleted construction contracts	5,334	47,547
Inventories:			Provision for warranties for completed construction	68	603
Cost on uncompleted construction contracts	8,043	71,694	Provision for loss on construction contracts	230	2,050
Real estate for sale	1	5	Provision for bonuses	1,133	10,096
Raw materials and supplies	289	2,576	Other current liabilities	1,183	10,548
Total inventories	8,333	74,275	Total current liabilities	29,855	266,111
Short-term loans receivable	21	188			
Other current assets	2,694	24,003	Long-term loans payable	4,000	35,654
Total current assets	43,627	388,863	Provision for retirement benefits (Note 4)	3,080	27,453
Property, plant and equipment (Notes 3 and 4)	18,637	166,119	Other liabilities	560	4,989
Intangible assets	175	1,563	Total liabilities	37,495	334,207
Deferred tax assets-non-current (Note9)	259	2,312			
Investments and long-term loans:			Net assets:		
Investment securities:			Shareholders' equity (Note 6)		
Subsidiaries and affiliates	307	2,732	Common stock	2,000	17,827
Other securities	257	2,289	Capital surplus	500	4,457
Long-term loans receivable	32	283	Retained earnings	23,789	212,045
Long-term trade receivables (Note 5)	3	23	Treasury stock - 47,808 shares	(24)	(211)
Guarantee deposits and other investments	511	4,556	Total shareholders' equity	26,265	234,118
Allowance for doubtful accounts (Note 5)	(21)	(187)	Unrealized gain on investment securities	26	229
Total investments and long-term loans	1,088	9,696	Total net assets	26,291	234,347
Total assets	¥ 63,786	\$ 568,554	Total liabilities and net assets	¥ 63,786	\$ 568,554

See accompanying notes to non consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD

Non Consolidated Statement of Income for the year ended March 31, 2017

	Yen (millions)	U.S. dollars (thousands) (Note3)
	<u>2017</u>	<u>2017</u>
Completed construction contracts:		
Net sales	¥ 49,530	\$ 441,483
Cost of sales	44,670	398,168
Gross profit	<u>4,860</u>	<u>43,315</u>
Finished goods:		
Net sales	20,396	181,798
Cost of sales	15,691	139,858
Gross profit	<u>4,705</u>	<u>41,940</u>
Total:		
Net sales	69,926	623,281
Cost of sales	60,361	538,026
Gross profit	<u>9,565</u>	<u>85,255</u>
Selling, general and administrative expenses:	<u>3,796</u>	<u>33,832</u>
Operating income	5,769	51,424
Other income (Note 7):		
Interest and dividends	6	54
Other	282	2,511
Subtotal	<u>288</u>	<u>2,565</u>
Other expenses (Note 8):		
Interest	21	187
Other	324	2,891
Subtotal	<u>345</u>	<u>3,078</u>
Income before income taxes	<u>5,712</u>	<u>50,911</u>
Income taxes:		
Current	370	3,299
Deferred	77	683
Net income	<u>¥ 5,265</u>	<u>\$ 46,929</u>

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2017

	Shareholders' equity (Notes 3,7)				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
	(Millions of yen)				
Balance at April 1, 2016	¥ 2,000	¥ 500	¥ 19,211	¥ (24)	¥ 21,687
Changes during the year					
Dividend of surplus			(686)		(686)
Net income for the period			5,265		5,265
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during period	-	-	4,578	(0)	4,578
Balance as of March 31, 2017	¥ 2,000	¥ 500	¥ 23,789	¥ (24)	¥ 26,265
	Accumulated other comprehensive				
	Unrealized gain on investment securities				
	Total net assets				
	(Millions of yen)				
Balance at April 1, 2016	¥ 12	¥ 21,699			
Changes during the year					
Dividend of surplus		(686)			
Net income for the period		5,265			
Purchase of treasury stock		(0)			
Disposal of treasury stock					
Net changes of items other than shareholders' equity	14	14			
Total changes during period	14	4,592			
Balance as of March 31, 2017	¥ 26	¥ 26,291			

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2017

	Shareholders' equity (Notes 3,7)				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
	(Thousands of U.S. dollars)				
Balance at April 1, 2016	\$ 17,827	\$ 4,457	\$ 171,233	\$ (210)	\$ 193,307
Changes during the year					
Dividend of surplus			(6,117)		(6,117)
Net income for the period			46,929		46,929
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during period	-	-	40,812	(1)	40,812
Balance as of March 31, 2017	\$ 17,827	\$ 4,457	\$ 212,045	\$ (211)	\$ 234,118
	Accumulated other comprehensive				
	Unrealized gain on investment securities				
	Total net assets				
	(Thousands of U.S. dollars)				
Balance at April 1, 2016	\$ 110	\$ 193,418			
Changes during the year					
Dividend of surplus		(6,117)			
Net income for the period		46,929			
Purchase of treasury stock		(1)			
Disposal of treasury stock					
Net changes of items other than shareholders' equity	119	119			
Total changes during period	119	40,931			
Balance as of March 31, 2017	\$ 229	\$ 234,347			

Notes to Non Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Non Consolidated Financial Statements

The accompanying non consolidated financial statements have been prepared from the accounts maintained by the SEIKITOKYU KOGYO CO., LTD. (the “Company”) in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and the Companies Act of Japan and in conformity with accounting principles generally accepted in Japan, which may differ in some material respects from accounting principles generally accepted and applied in countries and jurisdictions other than Japan.

Certain items presented in the Japanese non consolidated financial statements have been reclassified for presentation solely for the convenience of readers outside Japan.

In addition, the notes to the non consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Method of Accounting for Construction Contracts

The Company recognizes revenue and cost by applying the percentage of completion method for the construction projects for which the percentage of completion can be reliably estimated at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to the estimated total project cost (i.e. cost to cost method) is applied. For other construction projects, the completed-contract method is applied.

(c) Inventories

Inventories are stated at cost, cost being determined by the identified cost method for real estate for sale and cost on uncompleted construction contracts or by the moving average method for raw materials and supplies, and adjusted for any substantial permanent decline in value.

Each item of inventory is initially recorded at acquisition cost, and when net realizable value is less than the cost (i.e., profitability of inventory has declined), the amount of cost is reduced to net realizable value.

(d) Investments

Investments in subsidiaries and affiliates are carried at cost. The cost of subsidiaries and affiliates sold is computed based on the moving average method.

Other securities (securities which are neither trading, held-to-maturity securities nor investments in subsidiaries and affiliates) with market value are carried at the market value on the balance sheet date. The difference between the acquisition cost and the market value of other securities is recognized as unrealized gain on investment securities in the balance sheet, net of tax effect. Non-marketable securities classified as other securities are carried at cost. The cost of other securities sold is computed based on the moving average method.

(e) Property, Plant and Equipment (Excluding leased assets)

The Company computes depreciation of Property, plant and equipment by the declining balance method, however, buildings (excluding structures attached to the buildings) and building facilities and

structures acquired on or after April 1, 1998 are depreciated by the straight-line method. Rates for depreciation are based on the estimated useful lives of the assets according to their general class, type of construction, and use.

The estimated useful lives are principally as follows:

Buildings and structures	7 to 50 years
Machinery, equipment and vehicles	5 to 7 years

(f) Intangible Assets (Excluding leased assets)

Computer software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

(g) Leases

Depreciation of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero.

(h) Income Taxes

Deferred tax assets have been recognized in the non consolidated financial statements for the year ended March 31, 2017 with respect to the differences between the financial reporting and tax bases of assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed. Valuation allowances are provided for the deferred tax assets that are not considered to be recoverable.

(i) Allowance for Doubtful Accounts

General provision for doubtful accounts is recorded by applying a certain reserve percentage of the receivables based on the experience from past transactions. When considered necessary, specific reserves are provided based on the assessment of individual receivables.

(j) Provision for Warranties for Completed Construction

Provision for warranties for completed construction is recorded at an estimated amount, based on the actual level of defects and related warranty costs stipulated in completed construction contracts.

(k) Provision for Loss on Construction Contracts

Provision for loss on construction contracts is recorded for estimated future losses related to the construction contracts in progress.

(l) Provision for Bonuses

Provision for bonuses is stated at an estimated amount of bonuses which the Company is obliged to pay to its employees.

(m) Provision for Retirement Benefits

Provision for retirement benefits for employees has been recorded mainly at an amount calculated based on the retirement benefit obligations and the fair values of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligations are allocated to each period by the straight-line method over the estimated years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 13 years, which is shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized from the following year in which the gains or losses are recognized. Amortization is primarily calculated by the straight-line method over 10 years, which is shorter than the average remaining years of service of the employees.

(n) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(o) Consolidated Taxes

Consolidated tax return filing system.

2. Additional Information

Effective from the fiscal year, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, March 28, 2016).

3. Basis of Translation

The non consolidated financial statements as of and for the year ended March 31, 2017 presented herein are denominated in Japanese yen, and solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥112.19 = U.S.\$1, the approximate rate of exchange in effect on March 31, 2017. This translation should not be construed as a representation that any of the yen amounts could be converted into U.S. dollar amounts at the above or any other rate.

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2017 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Buildings and structures	¥ 7,054	\$ 62,877
Machinery, equipment, vehicles, tools, furniture and fixtures	15,460	137,800
Land	14,033	125,084
Construction in progress	110	977
Subtotal	36,657	326,738
Less: Accumulated depreciation	(18,020)	(160,620)
Net property, plant and equipment	¥ 18,637	\$ 166,118

5. Collateral Assets and Corresponding Liabilities

The following assets are provided as collateral for the borrowings at March 31, 2017:

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Buildings	¥ 494	\$ 4,399
Land	11,053	98,522
Total	¥11,547	\$102,921

Corresponding Liabilities at March 31, 2017

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Short-term loans payable	¥1,000	\$ 8,913
Long-term loans payable	4,000	35,654
Total	¥5,000	\$ 44,567

6. Receivables Fully Offset Against Allowance for Doubtful Accounts

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Long-term trade receivables	¥532	\$4,740

7. Shareholders' Equity

In accordance with the Companies Act of Japan (the "Act"), the Company provides legal retained earnings, which is included in retained earnings. The Act requires that an amount equal to at least 10% of the amounts to be disbursed as distribution of earnings be appropriated to the legal retained earnings until the total of the legal retained earnings plus the legal capital surplus or either of them equals 25% of the common stock account.

The Act further provides that neither legal capital surplus nor the legal retained earnings is available for the payment of dividends, but either may be used to reduce or eliminate accumulated deficits by a resolution of the shareholders, or may be transferred to the common stock account by a resolution of the shareholders. The Act also provides that, if the total amount of legal capital surplus and the legal retained earnings exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders, either as a return of capital or as dividends, subject to the approval of the shareholders.

8. Other Income

The composition of "Other income-Other" for the year ended March 31, 2017 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Interest income	¥ 0	\$ 3
Dividend income	6	51
Rent income	26	233
Fiduciary obligation fee	150	1,336
Gain on sales of non-current assets	82	728
Subsidy income	15	135
Other	9	79
Total	¥ 288	\$ 2,565

9. Other Expenses

The composition of "Other expenses-Other" for the year ended March 31, 2017 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Interest expenses	¥ 21	\$187
Guarantee commission	18	162
Composition expenses for syndicate loan	66	586
Loss on sales of non-current assets	57	512
Loss on retirement of non-current assets	20	175
Penalties	138	1,228
Other	26	228
Total	¥345	\$3,078

10. Income Taxes

The tax effects of temporary differences which gave rise to significant portions of deferred tax assets and deferred tax liabilities as at March 31, 2017 are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Deferred tax assets:		
Allowance for doubtful accounts	¥ 170	\$ 1,517
Provision for retirement benefits	1,097	9,781
Loss on valuation of golf club membership	130	1,157
Impairment loss	733	6,531
Provision for bonuses	350	3,116
Penalties	147	1,306
Loss carried forward	4,097	36,518
Other	339	3,021
Gross deferred tax assets	7,063	62,947
Less: Valuation allowances	(5,808)	(51,770)
Total deferred tax assets	1,255	11,117
Deferred tax liabilities:		
Asset retirement obligations	4	32
Total deferred tax liabilities	4	32
Net deferred tax assets	¥ 1,251	\$ 11,085

11. Related Party Transactions

Transactions with related party, for the year ended March 31, 2017 are as follows:

(a) Name (b) Type (c) Relationship (d) Percentage of equity ownership held by the Company	Yen (millions)	U.S. dollars (thousands)	
	Description of transaction or balance	Amount	Amount
(a) TOKYU CONSTRUCTION CO., LTD	Transactions: (Note 1)		
(b) Principal shareholder	Completed construction	¥3,007	\$26,803
(c) Interlocking directors and undertaking construction (Note 2)	contracts-Net sales		
(d) (22.1%) (directly)	Balances: (Note 1)		
	Accounts receivable from: electronically recorded monetary claims-operating	492	4,385
	Completed construction contracts	341	3,048
	Advances received on uncompleted construction contracts	839	7,480
(a) TOKYU CORPORATION CO., LTD	Transactions: (Note 3)		
(b) Principal shareholder	Land transfer	600	5,348
(c) Interlocking directors and undertaking construction (Note 4)	Balances: (Note 3)		
(d) (3.8%) (directly)	Gain on sales of non-current assets	78	699
(a) SHINSEIKI KOGYO CO., LTD.	Transactions: (Note 1)		
(b) Subsidiaries	Finished goods-Net sales	1,627	14,504
(c) Interlocking directors and distributing paving materials (Note 5)	Balances: (Note 1)		
(d) 100% (directly)	Accounts receivable	1,050	9,356

Note 1: Consumption taxes are not included in the transaction amounts, however, balances are accounted for with consumption taxes

Note 2: Construction services with related parties are carried out on an arm's-length basis consistent with third party transactions, presenting a quotation for each of constructions.

Note 3: Both the transaction amounts and balances exclude consumption taxes.

Note 4: Conditions of transactions such as pricing are determined based on the negotiations taking market prices into account.

Note 5: Unit prices are determined taking market prices and total costs into account.

12. Monetary Receivables and Monetary Payables to Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Short-term monetary receivables	¥2,292	\$20,432
Long-term monetary receivables	98	878
Short-term monetary liabilities	2,118	18,875

13. Transactions with Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Operating transactions		
Net sales	¥5,406	\$48,182
Cost of sales	1,075	9,580
Non-operating transactions	143	1,279

14. Amounts per Share

Amounts per share as of and for the year ended March 31, 2017 are as follows:

As of March 31

	Yen	U.S. dollars
	2017	2017
Net assets	¥651.32	\$5.81

For the year ended March 31

	Yen	U.S. dollars
	2017	2017
Net Income	¥130.43	\$1.16

15. Other Notes

In December 2016, the Company executed a syndicate loan contract with Tokyo Mitsubishi UFJ Bank serving as the arranger (of which, the term loan as of the end of fiscal year is ¥5,000 million (U.S.\$44,567 thousand)).

The following financial covenants are attached to the syndicate loan mentioned above;

- (a) The amount of net assets recorded on the balance sheet and consolidated balance sheet on the final day of each accounting period in and after the fiscal year ended March 31, 2017 must be maintained to at least 75% of the amount of net assets recorded on the balance sheet and consolidated balance sheet for the fiscal year immediately preceding said fiscal year or for the

fiscal year ended March 31, 2016, whichever is the higher amount.

- (b) Ordinary losses must not be recorded in two consecutive periods on the statements of income or consolidated statements of income in and after the fiscal year ended March 31, 2017.
- (c) Net losses must not be recorded in two consecutive periods on the statements of income or consolidated statements of income in and after the fiscal year ended March 31, 2017.
- (d) The total coverage ratio for the consolidated balance sheets, consolidated statements of income, and consolidated cash flow statements in and after the fiscal year ended March 31, 2017 must be maintained at 15.0 or lower.

It is stipulated under the loan that, in the event of changes in accounting standards, all concerned parties shall consult on the abovementioned financial covenants to determine the impact of the said changes.

SEIKITOKYU KOGYO CO., LTD.

Related Supplementary Schedules
for the year ended March 31, 2017

1. Details of Changes in Property, Plant and Equipment and Intangible assets

Changes in Property, plant and equipment at March 31, 2017 were as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Buildings and structures	¥ 1,821	¥ 447	¥16	¥ 7,054	\$ 62,877
Machinery, equipment and vehicles	2,058	855	9	14,536	129,564
Tools, furniture and fixtures	105	42	1	924	8,237
Land	10,719	3,915	600	14,033	125,084
Construction in Progress	2	110	2	110	977
Total	¥14,705	¥5,369	¥628	¥36,657	\$326,739

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Depreciation		
Buildings and structures	¥ 7,054	¥ 4,970	¥169	¥ 2,084	\$ 18,573
Machinery, equipment and vehicles	14,536	12,240	608	2,296	20,464
Tools, furniture and fixtures	924	810	31	114	1,021
Land	14,033	—	—	14,033	125,084
Construction in progress	110	—	—	110	977
Total	¥36,657	¥18,020	¥809	¥18,637	\$166,119

Changes in Intangible assets at March 31, 2017 were as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Intangible assets	¥66	¥122	¥—	¥219	\$1,954
Total	¥66	¥122	¥—	¥219	\$1,954

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Amortizatio n		
Intangible assets	¥219	¥44	¥12	¥175	\$1,563
Total	¥219	¥44	¥12	¥175	\$1,563

(Note) 1. The amount for land in the current period increases mainly due to the land at Myoukenjima material plant: ¥3,513 million (U.S.\$31,314 thousand).

2. Details of Allowances and Provisions

Allowances and Provisions at March 31, 2017 were as follows:

	Yen (millions)				U.S. dollars (thousands)	
	Opening		Decrease		Ending	
	Balance	Increase	Amount used as intended	Other	balance	
Allowance for doubtful accounts	¥ 705	¥ 8	¥ 683	¥6	¥ 24	\$ 213
Provision for warranties for completed construction	73	30	35	—	68	603
Provision for loss on construction contracts	244	30	44	—	230	2,050
Provision for bonuses	1,099	1,133	1,099	—	1,133	10,096
Provision for retirement benefit	3,340	582	842	—	3,080	27,453

(Note) 1. “Decreases (Others): ¥6 million (U.S.\$52 thousand)” in Allowance for doubtful accounts is due to ¥4 million (U.S.\$34 thousand) added back via the reversal method and ¥2 million (U.S. \$18 thousand) added back due to collections.

3. Details of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2017 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Selling, general and administrative expenses:		
Directors' compensation	¥ 146	\$ 1,297
Employees' salaries and allowances	1,854	16,528
Retirement benefit expenses	199	1,773
Legal welfare expenses	324	2,891
Welfare expenses	155	1,385
Repair and maintenance	19	167
Stationery expenses	91	809
Transportation expenses	285	2,542
Construction utilities expenses	15	133
Research study expenses	144	1,287
Advertising expenses	44	396
Provision of allowance for doubtful accounts	△21	△185
Entertainment expenses	41	369
Contributions	0	4
Rents	118	1,048
Depreciation	45	403
Taxes and dues	233	2,078
Insurance expenses	18	160
Miscellaneous expenses	86	747
Total	¥3,796	\$33,832

Independent Auditor's Report

The Board of Directors
SEKITOKYU KOGYO CO., LTD.

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of SEKITOKYU KOGYO CO., LTD. (the "Company") applicable to the 68th fiscal year from April 1, 2016 through March 31, 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of SEKITOKYU KOGYO CO., LTD. applicable to the 68th fiscal year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC

May 22, 2017